

Local Sources in Funding City and County Transportation Needs

PROBLEM STATEMENT

City and county governments own and operate the vast majority (over 85%) of the state's 80,000 roadway lane miles. These roadways carry somewhat less than half (43%) of the state's total traffic.

Local jurisdictions receive some state funding for their transportation needs through distribution of a share of the state's gasoline tax revenues. However, these state funds account only for 33% of local transportation revenues for counties, and only 17% for cities. Local sources for transportation funding include property taxes, sales taxes, and general revenue funds.

The overriding concern expressed by localities is that local sources and local authority to fund transportation needs are inadequate.

Local revenue for county roads is generated through a road levy, or dedicated property tax. This levy is statutorily capped relative to overall property values and increases in value. Several counties around the state are already at or near their statutory limit.

Cities derive transportation funds through a variety of sources including property taxes, sales taxes, business and occupation (B & O) taxes, and utility taxes. None of these taxes is dedicated to transportation needs, so transportation projects must compete with other needs for general fund revenues. In many cases around Washington state, cities are at or near their maximum statutorily allowable taxation limits from these sources.

Other concerns expressed by local governments include requirements to set aside local transportation monies for the local match for state and federal funding, and projects required to meet concurrency mandates of the Growth Management Act.

Local Options

New local option transportation revenue authority was passed by the State Legislature in 1990. The local options authorized for cities and counties included a local gasoline tax; a vehicle license fee; a commercial parking tax; and a street utility fee (later declared unconstitutional). The local option gasoline tax requires approval of county voters, and the parking tax and vehicle license fee can be repealed by referendum.

The vehicle license fee is the only one of these local options to be in use (by King, Snohomish, Pierce, and Douglas counties; implemented but repealed in Cowlitz County). The cities of Bainbridge and SeaTac have imposed a commercial parking tax. The local gasoline tax, the potentially largest generator among the local options, has not been successful at the ballot (failing once in Spokane County, and twice in Snohomish County).

PROPOSED SOLUTIONS

Many observers feel that the 1990 local option legislation has not been effective because it has not produced significant new income as intended. Proposed solutions to increase local funding for transportation projects include the following:

- **Fix the existing disparity in access to dedicated funds:** An approach to a dedicated allocation that is system-based could allow for a comprehensive approach to funding, and a proportional distribution of dedicated funds. Cities and counties would each have access to a dedicated fund source and funding could be more stable and predictable.
- **Fix the existing local options:** Some changes might include: amending the local option gas tax to a flat fee, rather than a percentage of the state gas tax; amending the local option gas tax to remove the voter approval requirement; and amending the commercial parking tax to include employer-provided parking.
- **Authorize other local options:** Other local methods might include a dedicated sales tax for transportation; expansion of the use of the B & O tax for transportation (including county imposition of a B & O tax); creation of street maintenance districts; city vehicle license registration fees; and others.
- **Other options:** Other proposals to increase local transportation revenues include expanding state sources, such as gas tax indexing and a state sales tax on gasoline, with a greater share to local governments.